

Message Text

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ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 /067 W
-----160215Z 055063 /75

R 152125Z FEB 77

FM AMEMBASSY QUITO
TO SECSTATE WASHDC 3231
INFO DIA WASHDC
AMCONSUL GUAYAQUIL
DMAAC ST LOUIS

UNCLAS QUITO 1063

DMAAC ST. LOUIS

E.O. 11652: N/A

TAGS: BEXP, EAIR, EC

SUBJECT: MAJOR PROJECTS - EARLY WARNING - NEW INTERNATIONAL
AIRPORTS FOR QUITO AND GUAYAQUIL

REFS: (A) STATE 32519; (B) QUITO 382

1. BEGIN SUMMARY: REVISING EARLIER PLANS FOR ISSUING IN
LATE FEBRUARY 1977 AN INVITATION FOR BIDS FOR A TURN-KEY
CONTRACT COVERING DESIGN AND CONSTRUCTION OF THE SUBJECT
AIRPORTS, THE DAC HAS NOW DECIDED TO ISSUE AROUND LATE
APRIL 1977 AN INVITATION FOR BIDS FOR A CONTRACT COVERING
ONLY THE DESIGN WORKS FOR BOTH AIRPORTS. END SUMMARY.

2. EMBASSY HAS LEARNED RELIABLY THAT THE DIRECTORATE
GENERAL OF CIVIL AVIATION (DAC) HAS DECIDED NOT (REPEAT NOT)
TO AWARD A CONTRACT ON A TURN-KEY BASIS FOR DESIGN AND
CONSTRUCTION OF THE TWO NEW INTERNATIONAL AIRPORTS. MAINLY
BECAUSE OF THE PROBLEMS THAT WOULD BE INVOLVED IN OBTAINING
FINANCING FOR A TURN-KEY APPROACH, THE DAC HAS DECIDED TO
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AWARD INSTEAD A SINGLE CONTRACT COVERING THE DESIGN WORKS
FOR BOTH AIRPORTS, TO BE FOLLOWED LATER BY EITHER A SINGLE
CONTRACT COVERING THE CONSTRUCTION WORK AT BOTH AIRPORTS, OR
SEPARATE CONSTRUCTION CONTRACTS FOR THE TWO.

3. THE DAC IS NOW PLANNING TO INVITE OFFERS FOR THE DESIGN
CONTRACT AROUND LATE APRIL 1977. THE INVITATION FOR OFFERS

FOR THE CONTRACT OR CONTRACTS FOR THE SUBSEQUENT CONSTRUCTION WORKS WOULD PROBABLY BE ISSUED IN LATE 1977 OR EARLY 1978.

4. REGARDING THE PREDICTIONS REPORTED IN REF A THAT THE TOTAL COST FOR THE TWO AIRPORTS COULD APPROACH \$1 BILLION, FOLLOWING ARE COST ESTIMATES PROVIDED TO THE E/C COUNSELOR BY REPRESENTATIVES OF THE INTERNATIONAL ENGINEERING COMPANY (IECO) OF SAN FRANCISCO, AN AFFILIATE OF MORRISON-KNUTSEN; IECO PREPARED THE NINE-VOLUME FEASIBILITY STUDY WHICH HAS RECENTLY BEEN CONCLUDED:

MILLIONS OF CONSTANT 1976 U.S. DOLLARS

| | QUITO AIRPORT | GUAYAQUIL AIRPORT |
|----------------------------|---------------|-------------------|
| LAND ACQUISITION | 8.8 | 9.6 |
| ENGINEERING | 3.0 | 2.5 |
| CONSTRUCTION AND EQUIPMENT | 137.4 | 108.8 |
| CONSTRUCTION MANAGEMENT | 5.7 | 4.7 |
| TOTAL | 154.9 | 125.3 |

THE COMBINED TOTAL OF \$286.2 MILLION IN CONSTANT 1976 DOLLARS IS EXPECTED TO BE SUBJECT TO AN INFLATION RATE RANGING FROM ROUGHLY 6 PERCENT TO 8 PERCENT FOR THE COSTS OF IMPORTED ITEMS TO 12 PERCENT TO 14 PERCENT FOR LOCAL COSTS, THUS BRINGING THE COST IN EXPENDITURES OF CURRENT DOLLARS TO WELL OVER \$200 MILLION PER AIRPORT DURING THE UNCLASSIFIED

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YEARS OF DESIGN AND CONSTRUCTION. IF THE INFLATION RATES TURN OUT TO BE HIGHER THAN THESE ESTIMATES, THE COSTS COULD ACCORDINGLY RISE TO \$300 MILLION PER AIRPORT OR MORE. IN ADDITION, THE NEW QUITO AIRPORT WOULD NEED A NEARLY ALL-NEW ACCESS ROAD CONNECTING IT WITH DOWNTOWN QUITO, AND THIS ROAD--WHICH WOULD PROBABLY BE BUILT UNDER A CONTRACT SEPARATE FROM ANY OF THE CONTRACTS FOR THE AIRPORT PROJECTS--IS EXPECTED TO COST ROUGHLY \$15-\$20 MILLION.

5. THE CONSTRUCTION PHASE FOR EACH AIRPORT IS EXPECTED TO REQUIRE AT LEAST FIVE YEARS OR MORE REALISTICALLY UP TO SEVEN OR EIGHT YEARS. THE IECO REPRESENTATIVES BELIEVE THAT A REASONABLE TARGET WOULD BE TO HAVE BOTH AIRPORTS INAUGURATED AROUND EARLY 1986.

6. AS REPORTED EARLIER, INTERESTED U.S. FIRMS MUST BE PREPARED TO OFFER GENEROUS FINANCING. DURING THE PERIOD THAT THE AIRPORT PROJECTS WOULD BE UNDER WAY, THE GOE IS EXPECTED ALSO TO BE CARRYING OUT A PROJECT FOR CONSTRUCTION

OF A HIGHWAY BETWEEN QUITO AND GUAYAQUIL WHICH MAY COST AS MUCH AS \$1 BILLION. IF FINANCING ON SATISFACTORY TERMS PROVES INADEQUATE TO COVER BOTH THE AIRPORT PROJECTS AND THE HIGHWAY PROJECT, THE GOE MAY WELL FIND ITSELF IMPELLED TO DEFER THE AIRPORTS IN FAVOR OF THE HIGHWAY.

7. ESPECIALLY SHARP COMPETITION FOR THE AIRPORT PROJECTS-- BOTH FOR THE DESIGN AND FOR THE CONSTRUCTION WORKS--IS EXPECTED FROM THE BRAZILIAN FIRM HIDROSERVICE (WHICH HAS CARRIED OUT A NUMBER OF INFRASTRUCTURE PROJECTS IN ECUADOR AND DESIGNED AND CONSTRUCTED THE NEW AIRPORT IN RIO DE JANEIRO). HIDROSERVICE RECENTLY SPONSORED A VISIT TO THE RIO AIRPORT BY THE DAC OFFICIAL WHO HAS PRIMARY RESPONSIBILITY FOR THE NEW QUITO AND GUAYAQUIL AIRPORTS, ING. JORGE DONOSO, WHO REPORTEDLY COMMENTED UPON HIS RETURN TO QUITO THAT HE WAS HIGHLY IMPRESSED BY THE RIO AIRPORT.

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8. COMPETITION BETWEEN U.S. SUPPLIERS ALSO UNDOUBTEDLY WILL BE KEEN. IECO HAS INDICATED INTEREST IN UNDERTAKING THE DESIGN AND CONSTRUCTION WORKS FOR BOTH AIRPORTS, AND IN RECENT MONTHS THE EMBASSY HAS BEEN VISITED BY REPRESENTATIVES OF THE U.S. FIRMS BECHTEL, BENDIX, BOEING, GTE (WHICH IS CONSIDERING AN ASSOCIATION WITH PULLMAN-KELLOGG), LOCKHEED, MCDONNELL DOUGLAS, MOTOROLA, AND TIPPETTS-ABBETT-MCCARTHY-STRATTON, EACH INTERESTED IN SOME OR ALL ASPECTS OF THE AIRPORT PROJECTS.
BLOOMFIELD

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Message Attributes

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Current Classification: UNCLASSIFIED
Concepts: AIRPORTS
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770054-0542
Format: TEL
From: QUITO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770240/aaaabjoo.tel
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Litigation History:
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